

# Q4 and full year 2022

KMC Properties ASA

Results Presentation | 23 February 2023



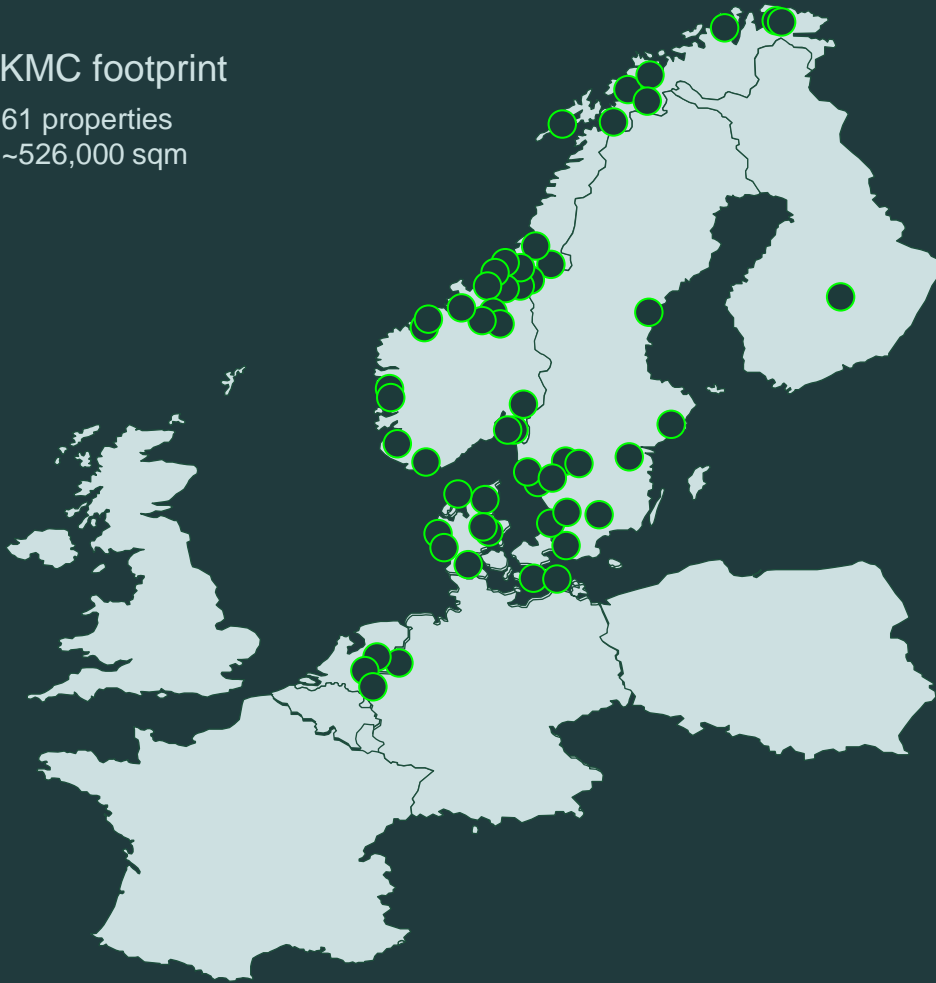
The preferred real estate partner for logistic and industrial companies



# Building on 40+ years of industrial knowhow

○ KMC footprint

61 properties  
~526,000 sqm



Year-end 2022



Gross Asset Value<sup>1</sup>

NOK 5.4 bn

NOK ~10,200 pr sqm

% Net yield<sup>1</sup>

6.9%



WAULT<sup>1</sup>

11.0 years

56.2%  
EPRA LTV<sup>2</sup>



Strategic locations

# Long-term value creation through well founded light industry infrastructure investments



Strong financial profiles and established sectors



Infrastructure investments creating stickiness



Stable and high occupancy rates



Long lease agreements and investment horizon

## Example properties

Marenor AB (Insula), Kungshamn (SE)



Jackon AS (BEWI), Fredrikstad (NO)



Synprodo B.V. (BEWI), Wijchen (NL)



Scana ASA, Ågotnes (NO)



Close to natural resources



Close to key customers



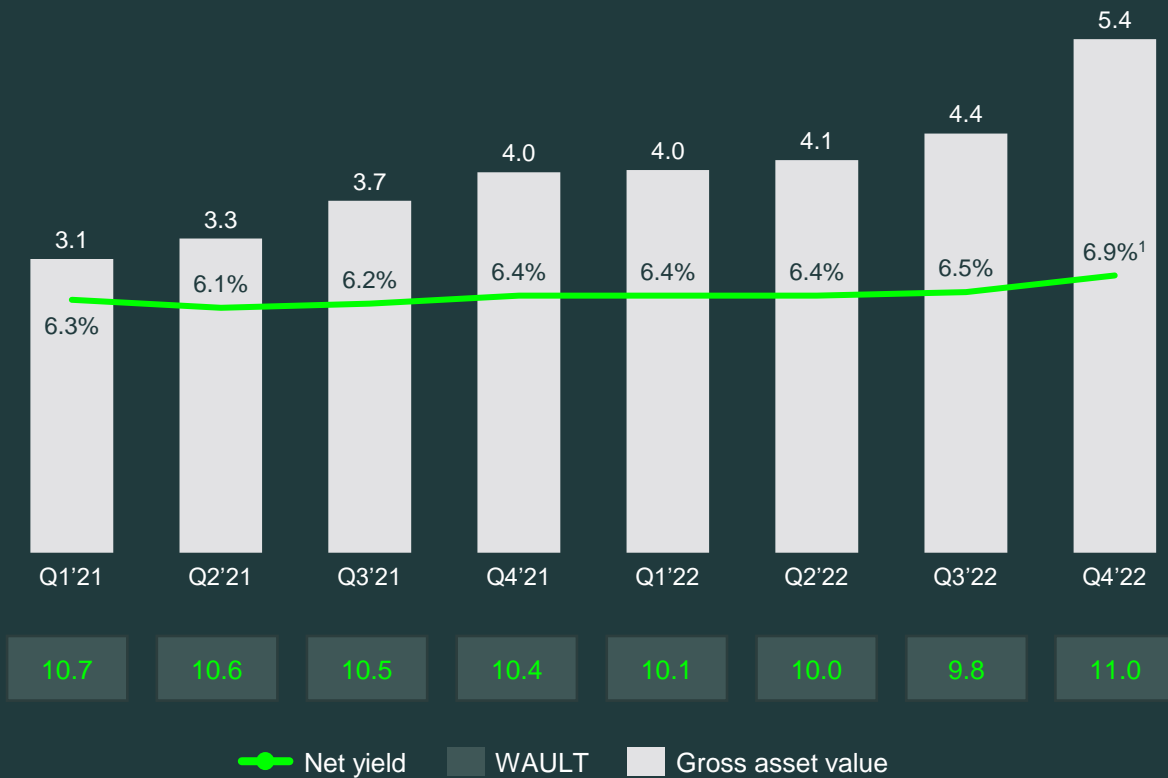
In an industrial cluster



# Continuing to execute on an expansive growth strategy

## GAV, net yield and WAULT development

NOK billion, %, years



## Key focus areas



Acquisitions in collaboration with current and new tenants, and other parties



Greenfield development of new facilities for new and existing clients



Contract extensions and investments in current portfolio (CAPEX)



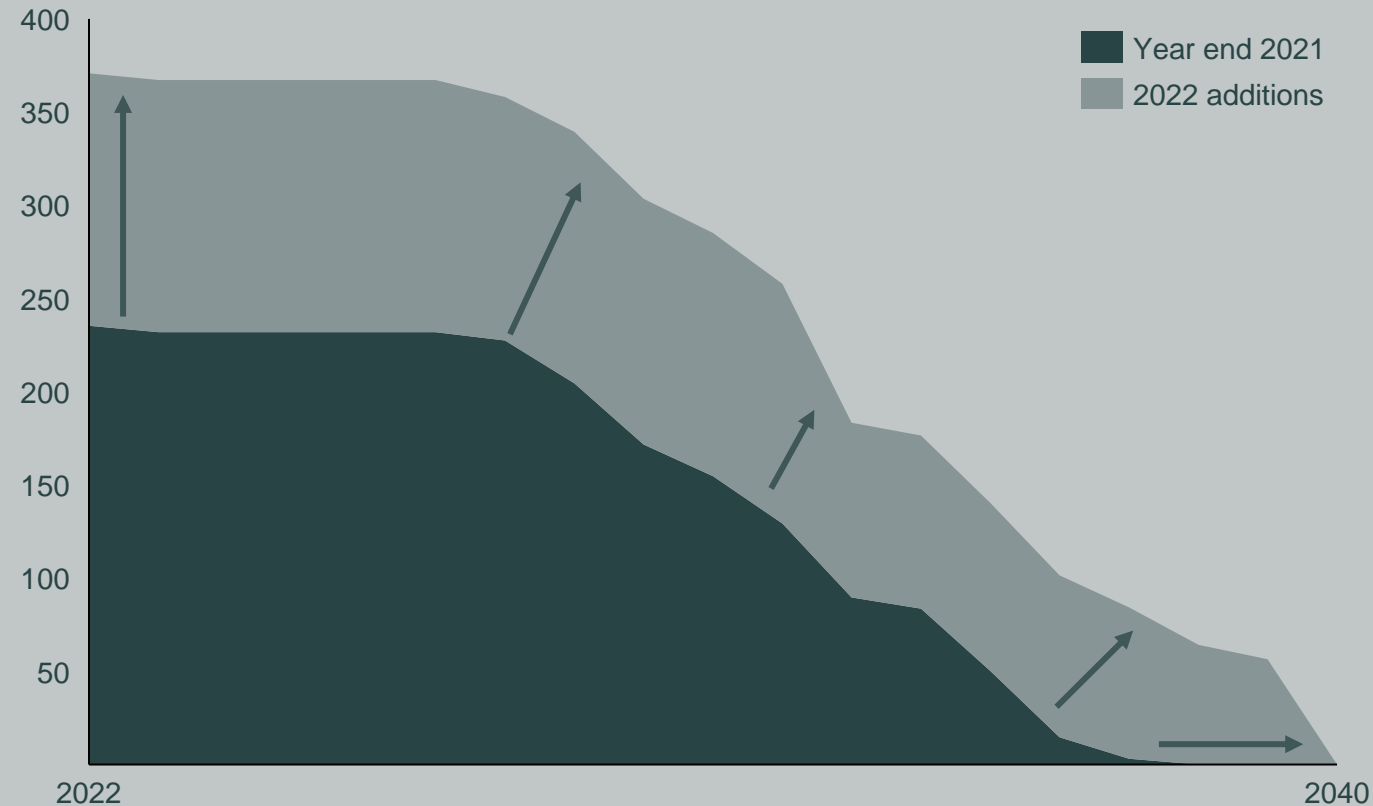
Capital optimization

1) EPRA Net Initial Yield, see definition in interim report

# 2022 growth in annual contractual rent mainly from investments

## Annual contractual rent

NOK million



- Continuous process to extend or renew contracts
- Identification of potential for investments in existing portfolio
- Acquisitions of new properties meeting investment criteria
- Identifying and engaging in business development activities

# Well positioned for navigating high inflation environment

## Solid tenants with long track records

% of net income

47%

**BEWI**

Insulation, Packaging & Components  
Founded in 1980

16%

**INSULA**

Seafood industry  
Founded in 2015

9%

**Grøntvedt Pelagic**

Seafood industry  
Legacy from 1830

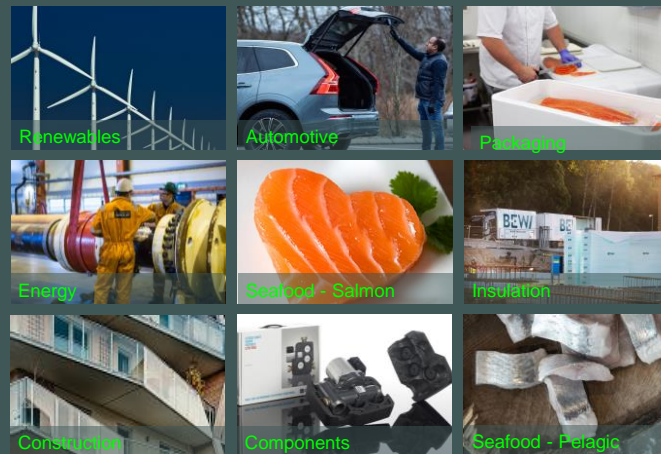
9%

**Scana**

Energy and Maritime services  
Founded in 1987

+ 11 other companies

## Industry exposure with strong local presence



## Solid framework mitigating risks



### Currency and interest swaps

41% hedge ratio currently reducing total interest rate by at least 1.15%. Weighted average life (WAL) on interest rate swaps is 2.5 years



### Triple net bare house contracts

Tenants responsible for almost all property related cost



### CPI adjustments

98% of contract 100% CPI adjusted  
1% of contracts 80% CPI adjusted

**KMC Properties board and management with strong industrial experience**

# Operational review







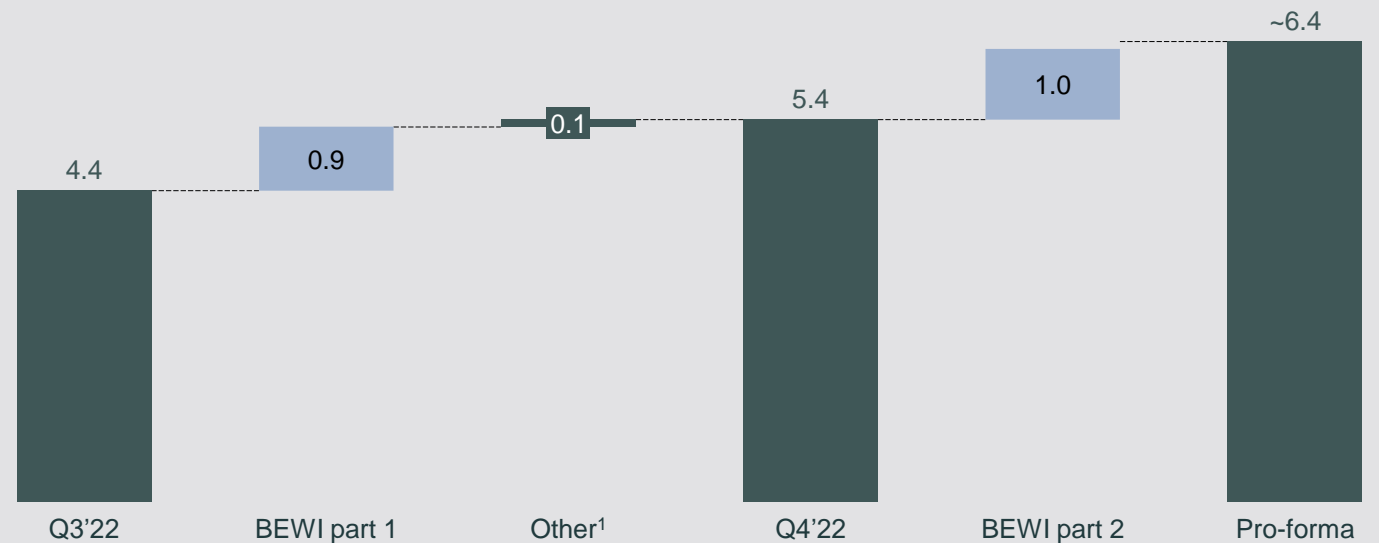
# First tranche of BEWI-transaction completed

## Acquisition criteria

- Targeting high yield industrial- and logistic properties with long lease agreements and solid tenants
- Strategic locations for tenants
- Substantial relocation cost for the tenant
- Securing diversification across industries, tenants, locations, and property types

## Expect to utilize option for second tranche by end of June 2023

Gross asset value, NOK billion



- **Increased size** implies potential for lower interest margin
- **Highly attractive EBITDA-yield** with low additional recurring OPEX for KMCP
- **16.6 years WAULT**



# Ongoing greenfield projects progressing as planned

Greenfield project	Investment NOKm	Yield-on-Cost %	Lease term Years	Completion Estimate	Development
<b>Salmon slaughterhouse</b> for Slakteriet at Florø (NO)	~682	6.75%	20	H1'25	<ul style="list-style-type: none"><li>• Conditional agreement with Slakteriet for the development of the salmon slaughterhouse</li><li>• Land plot established and ready for infrastructure work</li></ul>
<b>Packaging hub</b> for BEWI at Jøsnøya (NO)	~160	7.50%	15	H2'23	<ul style="list-style-type: none"><li>• Conditional long-term lease agreement with BEWI</li><li>• Construction work started in September 2022</li><li>• BEWI has been rewarded a long-term agreement for supply of fish boxes to MOWI, along with running agreement with Lerøy Seafood</li></ul>
<b>Automated storage facility</b> for BEWI at Jøsnøya (NO)	~40	7.50%	10	Q4'23	<ul style="list-style-type: none"><li>• Conditional long-term lease agreement with BEWI for a new automated storage facility integrated with MOWI's new salmon slaughterhouse</li><li>• Construction start planned Q1'23</li></ul>



# Continued investments in existing properties



- Maintaining a close relation with customers to actively identify and engage in business development activities
- Project and real estate development makes it possible to meet the changing needs of tenants
- Maintenance investments of NOK 12.1 million across five properties in the fourth quarter of 2022
  - Related to roofing, asphalt, facade, and property specific development to meet client need

# Ongoing ESG projects to be supported by new-hire

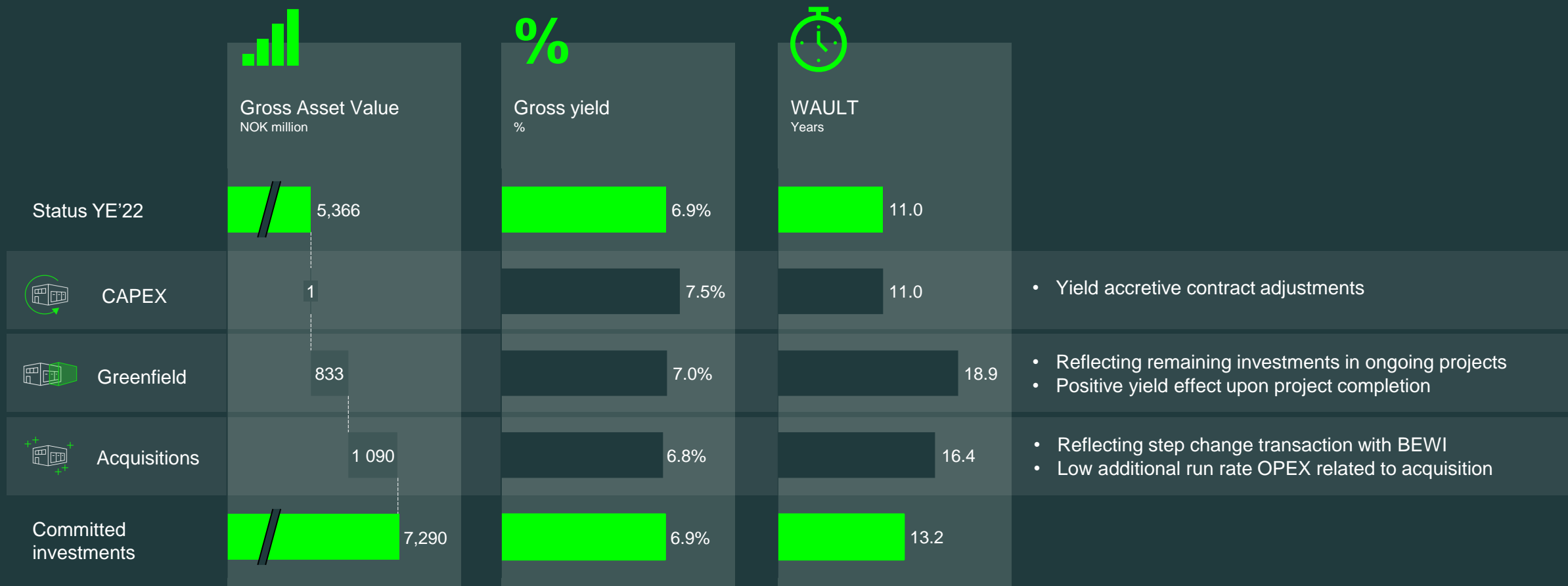


Action	Solar PV installations	ESS Battery installations	Improving energy labelling of properties
Description	<ul style="list-style-type: none"> <li>• Current total production of 400 000+ kWh/yr from installations at Mongstad, Ågotnes and Klädesholmen</li> <li>• Ongoing pilot project at property in Fredrikstad with installment of 528 000 kWh/yr across 5,500 m<sup>2</sup> mounted on roof, wall and ground installations</li> <li>• Mapping potential for large scale roll-out, reducing consumption of grid sourced electricity and energy costs</li> </ul>	<ul style="list-style-type: none"> <li>• Battery installations to create sustainable stabilization of the power grid as well as contribution to intraday capacity equalization</li> <li>• Ongoing pilot project at property in Klädesholmen (Sweden) and Fredrikstad (Norway) to install 1MWh+ and 0,2MWh+ battery capacity to examine the sustainability and economy in both markets before large scale roll-out</li> </ul>	<ul style="list-style-type: none"> <li>• KMC is currently mapping the energy classification of the entire portfolio and analyzing feasible measures to improve the buildings' performance and classification character in accordance with the EU requirements</li> </ul>

**H1 2023: Planning phase + Employing Sustainability manager**

**H2 2023: Large scale roll-out**

# Current pipeline of value accretive opportunities



**Note:** detailed overview of pipeline in appendix



# Financial review



# Continued gross rental increase on a stable cost base

## Profit and loss

NOK million, excluding discontinued operations<sup>1</sup>

	Q4'22	Q4'21	FY'22	FY'21
Rental income	79.6	55.1	272.7	205.0
Property expenses	-0.4	-0.4	-2.5	-2.6
<b>Net operating income</b>	<b>79.2</b>	<b>54.7</b>	<b>270.2</b>	<b>202.4</b>
Administration expenses	-17.1	-10.9	-45.3	-30.7
Transaction expenses	-3.2	-3.6	-6.8	-33.3
<b>EBITDA<sup>2</sup></b>	<b>58.9</b>	<b>40.2</b>	<b>218.0</b>	<b>138.4</b>
Net realised financials	-41.9	-18.5	-122.4	-82.1
<b>Net income from property management</b>	<b>17.4</b>	<b>21.7</b>	<b>95.7</b>	<b>56.3</b>
Net unrealised financials	-15.0	-20.0	34.7	-53.2
Changes in value of financial instruments	1.2	29.0	110.6	59.4
Changes in value of investment properties	18.5	113.4	41.3	317.3
<b>Profit before tax</b>	<b>21.7</b>	<b>144.1</b>	<b>282.2</b>	<b>379.8</b>
<b>Profit from continued operations</b>	<b>30.2</b>	<b>118.3</b>	<b>244.0</b>	<b>302.9</b>

1) Excluding discontinued operations in Russia (see KMC Properties' Q4 2022 report for further details)

2) See Alternative Performance Measure (APM) description in KMC Properties financial report

- Rental income +45% Q4'22 vs Q4'21
  - Increase mainly from new investments
  - CPI adjustments account for 8 pp (NOK 1.9 million per quarter)
- EBITDA increase +47% Q4'22 vs Q4'21
  - Administration expenses increase due to larger organisation, higher audit cost and NOK 1.9 million in non-recurring expenses
- Realized financial expenses increasing twofold
  - ~30% increase in asset base
  - IBOR increase
- Slightly net positive change in value of investment properties
  - Negative effect from increased interest rates and negative market outlook
  - Positive effect from accretive investments and significant CPI adjustments in January 2023

# High financial and operational visibility in current structure

## Annualised run-rate

NOK million, 12 months forward

	Q4'22 <sup>1</sup>	Q3'22	Q2'22	Q1'22
Rental income	371.4	290.1	268.4	258.9
Property expenses	-5.0	-4.2	-4.1	-4.1
<b>Net operating income</b>	<b>366.4</b>	<b>285.9</b>	<b>264.3</b>	<b>254.8</b>
Administration expenses <sup>2</sup>	-40.6	-34.1	-33.9	-33.6
<b>EBITDA</b>	<b>325.8</b>	<b>251.8</b>	<b>230.4</b>	<b>220.7</b>
Net realised financials	-181.0	-136.5	-117.4	-111.3
<b>Net income from property management</b>	<b>144.8</b>	<b>115.3</b>	<b>113.0</b>	<b>109.4</b>

1) Based on completed agreements as of period end.

2) Does not include transaction costs and variable remuneration to employees.

3) Based on 3 months Nibor and swap agreements at period end. Does not include interest expenses on revolving credit facility.

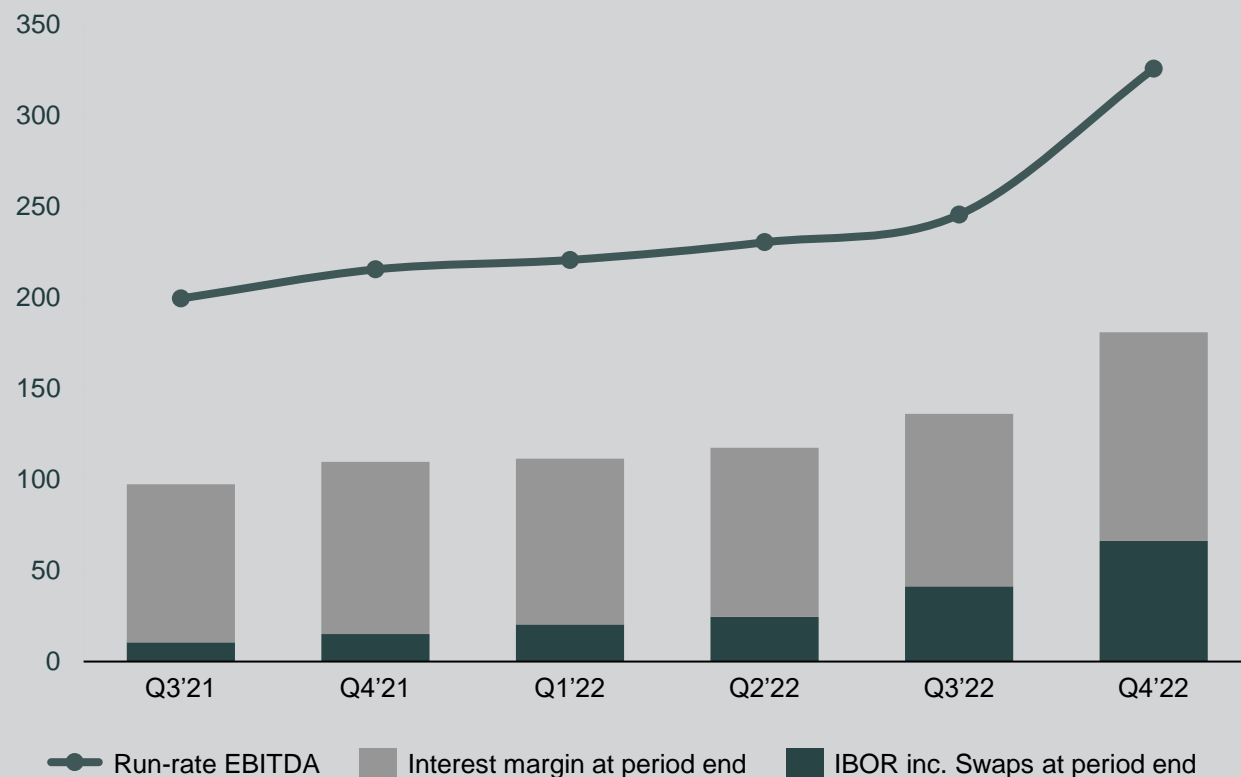
- Additional rental income from new investments and CPI adjustments (from 1 January 2023)
- Low increase in property related expenses due to triple net bare house contracts
- Administrative expenses increase due to additional costs from
  - 2x new hires in 2023, est. NOK 3 million
  - CPI adjustments, est. NOK 2.5 million
  - Investments in Q4 2022, est. NOK 1 million
- Financing cost driven by increase in interest-bearing debt and increased floating interests



# Expand EBITDA to interest expense gap

## EBITDA to interest expense gap

Annualized run-rate 12 months forward, NOK million

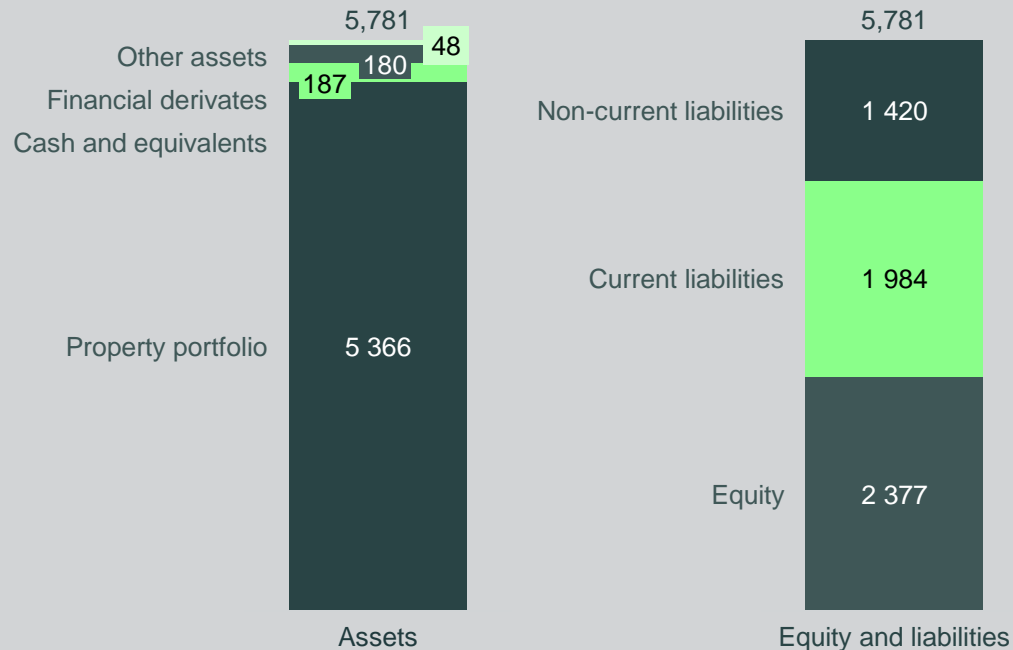


- New investments, renewals and CPI adjustments set to increase overall EBITDA
- BEWI-transaction highly EBITDA accretive
  - First NOK 925 million tranche of the NOK ~2,000 million transaction concluded in Q4 2022
- Potential for interest margin contraction with increased scale
- IBOR, including swap agreements, set to increase with inflation

# Solid balance sheet set to support continued growth journey

## Balance sheet

NOK million



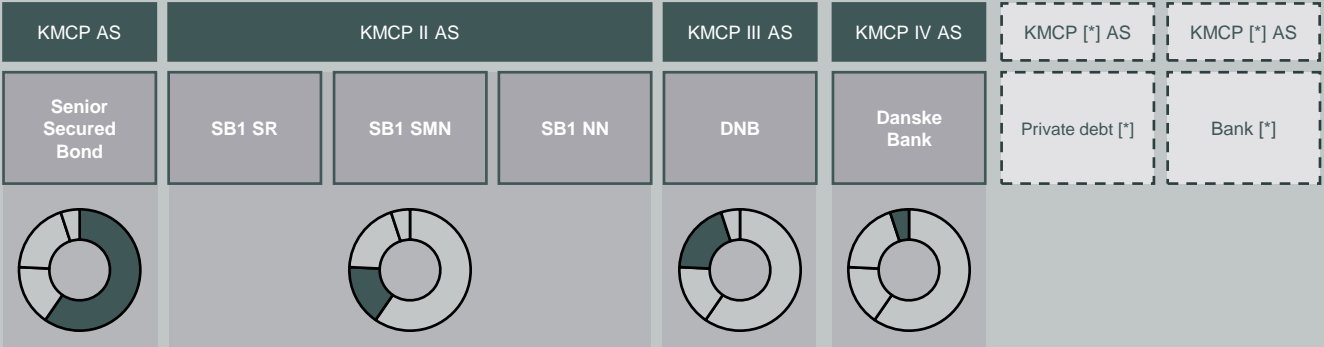
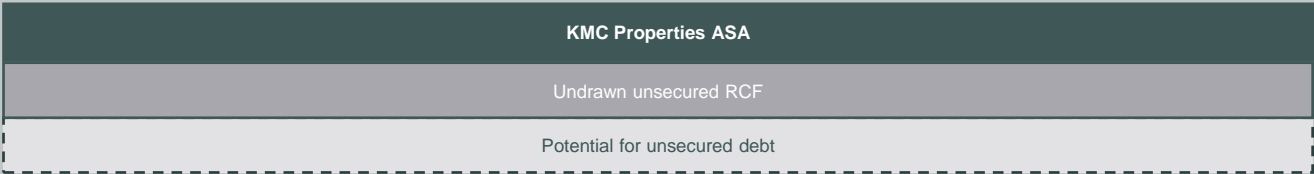
- Main main property portfolio changes for Q4'22
  - Change in value<sup>1</sup> of investment properties of NOK 18 million
  - Expansion projects, investments in new facilities, and acquisitions of NOK 961 million
- Equity of NOK 2,377 million representing an equity ratio of 41.1%

1) Portfolio valued by Cushman & Wakefield quarterly

# Group financing and structure accommodates growth

## Group structure

- Current structure
- Growth potential

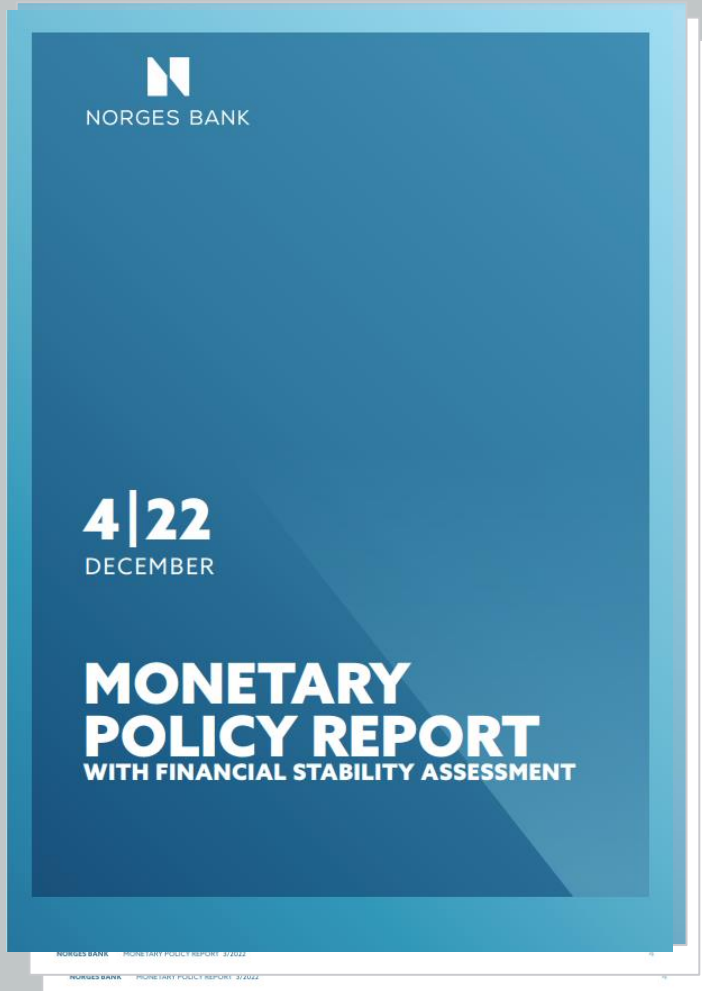


Share of property portfolio

- Working to increase funding sources preparing for refinancing of senior secured bond maturing 11 December 2023
- Initial property portfolio was solely financed by senior secured bond
- All new properties have been financed by Tier-1 banks, supportive to KMC's growth strategy
- Active dialogue with potential creditors, including banks, bondholders, and providers of private debt

└ Outlook





# High inflation and weaker global growth outlook

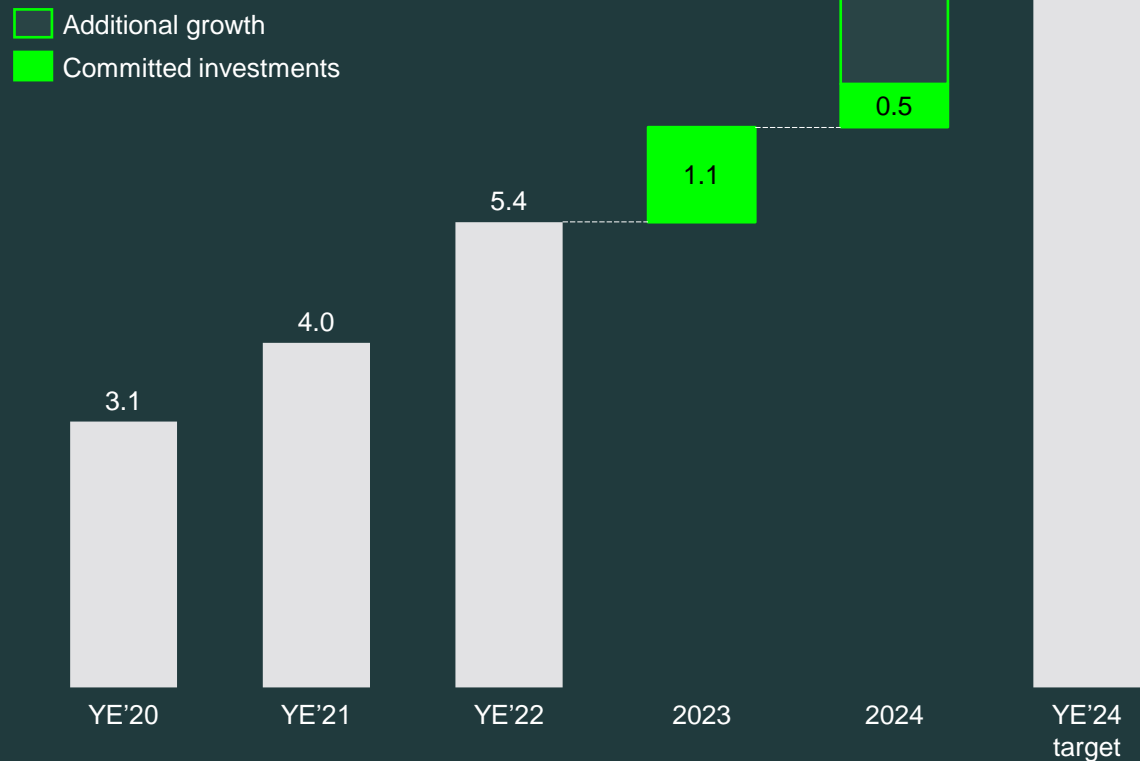
- Consumer price inflation is very high in many countries
- European gas and electricity prices remain at high levels
- Futures prices for the coming year are lower than in September
- The high level of inflation is reducing household purchasing power
- Futures prices indicate that both gas and electricity prices will remain high over the coming year but will fall thereafter
- Other commodity prices have edged down over the past six months, and global supply chain disruptions appear to have eased

Source: Norges Bank (December 2022) [Monetary Policy Report 3/22](#)

# Well positioned for continued value accretive growth

## Year end 2024 gross asset value target

NOK billion



Step-change transaction with BEWI set to unlock potential for interest margin compression

Continued accretive activities based on a defined set of investment criteria

Growth with low additions to current operational cost base increasing EBITDA yield

Synergies from utilizing industrial knowhow across a wider customer base



# Q&A

Appendix I  
Committed pipeline





# Pipeline committed investments

Type	Tenant	Completion (estimated)	Value (NOKm) <sup>1)</sup>	Remaining investments	Gross Yield	WAULT	Country
Greenfield	BEWI (Jøsnøya, Hitra)	Q2 2024	200	151	7.5%	14.0	NO
Greenfield	Slakteriet Holding	H1 2025	682	682	6.8%	20.0	NO
Acquisition pipeline	BEWI	Q4 2022 / 2023	2,000	1,000	6.7%	16.6	Europe
Acquisition pipeline	Kuraas/SG	Q1 2023	90	90	8.9%	12.6	NO
			<b>2,972</b>	<b>1,923</b>	<b>6.9%</b>	<b>17.5</b>	

1) Pipeline per 31.12.2022

Appendix II  
Financials



# Consolidated statement of comprehensive income

	Q4 2022	Q4 2021	2022	2021
<i>Amounts in NOK millions</i>	Unaudited	Unaudited	Unaudited	Audited
Rental income	80	55	273	205
Property expenses	(0)	(0)	(3)	(3)
<b>Net operating income</b>	<b>79</b>	<b>55</b>	<b>270</b>	<b>202</b>
Administration expenses	(20)	(15)	(52)	(64)
Net realised financials	(42)	(19)	(122)	(82)
<b>Net income from property management</b>	<b>17</b>	<b>22</b>	<b>96</b>	<b>56</b>
Net unrealised financials	(15)	(20)	35	(53)
Changes in value of financial instruments	1	29	111	59
Changes in value of investment properties	18	113	41	317
<b>Profit before tax</b>	<b>22</b>	<b>144</b>	<b>282</b>	<b>380</b>
Current tax	0	(3)	(9)	(3)
Deferred tax	8	(23)	(29)	(74)
<b>Profit from continued operations</b>	<b>30</b>	<b>118</b>	<b>244</b>	<b>303</b>
Profit from discontinued operations	0	(4)	(81)	2
<b>Profit</b>	<b>30</b>	<b>114</b>	<b>163</b>	<b>305</b>
Translation differences for foreign operations	28	29	54	(24)
<b>Comprehensive income</b>	<b>59</b>	<b>144</b>	<b>217</b>	<b>281</b>
<b>Profit attributable to:</b>				
Equity holders of the company	30	114	163	305
Non-controlling interest	-	-	-	-
<b>Comprehensive income attributable to:</b>				
Equity holders of the company	59	144	217	281
Non-controlling interest	-	-	-	-

# Cash flow

<i>Amounts in NOK millions</i>	<b>Q4 2022</b>	Q4 2021	<b>2022</b>	2021
Earnings before tax	22	144	282	380
Changes in value of investment properties	4	(113)	(18)	(317)
Financial items	56	9	(23)	76
Change in working capital:				
- change in current assets	5	(3)	38	20
- change in current liabilities	21	(12)	21	(79)
Other items not included in the cash flow	(3)	(7)	(3)	0
Taxes paid	(2)	3	(8)	(2)
<b>Net cash flow from operating activities</b>	<b>103</b>	<b>21</b>	<b>288</b>	<b>78</b>
Purchase of investment properties	(906)	(218)	(1,308)	(520)
Upgrades of investment properties	(55)	-	(139)	(140)
Proceeds from property transactions	95	-	95	-
Interest received	1	7	3	-
Change in other non-current assets	(12)	-	(12)	-
<b>Net cash flow from investment activities</b>	<b>(876)</b>	<b>(211)</b>	<b>(1,360)</b>	<b>(660)</b>
Capital increase from issue of shares	294	20	324	326
Proceeds interest-bearing liabilities	592	-	866	439
Repayment interest-bearing liabilities	(7)	112	(19)	(3)
Interest paid	(40)	(19)	(122)	(87)
Transaction fees paid and other financial costs	(7)	3	(8)	(15)
Change in other non-current liabilities	20	4	10	3
<b>Net cash flow from financing activities</b>	<b>853</b>	<b>120</b>	<b>1,051</b>	<b>665</b>
Effects of exchange-rate changes on cash and cash equivalents	1	1	0	0
<b>Net change in cash and cash equivalents</b>	<b>80</b>	<b>(69)</b>	<b>(21)</b>	<b>82</b>
Opening balance of Cash and Cash equivalents	<b>107</b>	<b>276</b>	<b>208</b>	<b>125</b>
<b>Cash and cash equivalents at period end</b>	<b>187</b>	<b>207</b>	<b>187</b>	<b>208</b>

# Consolidated statement of financial position

Amounts in NOK millions

	31.12.2022 Unaudited	31.12.2021 Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	5,366	3,982
Site leaseholds, right-of-use assets	19	19
Financial derivatives	180	68
Other non-current assets	16	5
<b>Total non-current assets</b>	<b>5,580</b>	<b>4,074</b>
<b>Current assets</b>		
Trade receivables	7	24
Other current assets	7	27
Cash and cash equivalents	187	208
Assets held for sale	-	-
<b>Total current assets</b>	<b>200</b>	<b>259</b>
<b>Total assets</b>	<b>5,781</b>	<b>4,333</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	65	56
Share premium	1,512	1,196
Translation reserve	20	(34)
Retained earnings	781	617
<b>Total equity</b>	<b>2,377</b>	<b>1,836</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	163	132
Non-current interest-bearing liabilities	1,217	2,275
Lease liabilities	19	19
Other non-current liabilities	20	10
<b>Total non-current liabilities</b>	<b>1,420</b>	<b>2,436</b>
<b>Current liabilities</b>		
Current interest-bearing liabilities	1,905	-
Trade payables	37	24
Current tax liabilities	0	3
Other current liabilities	41	34
Liabilities held for sale	0	-
<b>Total current liabilities</b>	<b>1,984</b>	<b>61</b>
<b>Total liabilities</b>	<b>3,404</b>	<b>2,497</b>
<b>Total equity and liabilities</b>	<b>5,781</b>	<b>4,333</b>

